







THE SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

May 26, 2010

MEMORANDUM FOR CHIEF OF NAVAL OPERATIONS  
ASSISTANT SECRETARY OF THE NAVY (MANPOWER  
AND RESERVE AFFAIRS)  
GENERAL COUNSEL OF THE NAVY  
JUDGE ADVOCATE GENERAL OF THE NAVY  
ASSISTANT FOR ADMINISTRATION, UNDER  
SECRETARY OF THE NAVY

SUBJECT: United States Naval Academy Nonappropriated Fund Instrumentality Audit


Ref: (a) SECNAV Memo of 26 February 2010

Reference (a) requested a comprehensive review and audit of the United States Naval Academy Nonappropriated Fund Instrumentality (NAFI) activities and a report to this office, via the Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (M&RA)), with recommended corrective actions. During the period 15 to 26 March 2010, the Commander, Navy Installations Command (CNIC), NAF Fiscal Oversight team conducted a review of the United States Naval Academy NAFI. The review identified a number of deficiencies, all detailed in the resulting Report of Findings and Recommendations.

To ensure the recommended corrections are implemented as expeditiously as possible, request you direct the Superintendent, United States Naval Academy, to establish a timeline for implementing these recommended corrective actions and provide the timeline to this office, via the Office of the ASN (M&RA), by 11 June 2010. Additionally, request you direct CNIC to schedule a follow-on assist visit and annual fiscal oversight audits of the Naval Academy NAFI. The ASN (M&RA) shall continue to monitor the Naval Academy's plan for implementing corrective actions resulting from the NAFI audit and shall institute any needed procedures or policies consistent with his responsibility to ensure proper administration and management of all NAFIs.

Both the Naval Inspector General Report of Investigation of 17 November 2009 and the NAFI Fiscal Oversight Audit identified irregularities in the Naval Academy's gift acceptance processes. Therefore, I am directing the Assistant for Administration, in consultation with the General Counsel, to examine the Naval Academy's gift acceptance processes and make recommendations to ensure compliance with applicable ethics laws and regulations.

Further, given the extensive involvement of a non-Federal entity, the Naval Academy Athletic Association (NAAA), in multiple areas of the Naval Academy operations (athletics, Visitor's Center, midshipmen rations, sponsorship arrangements, etc.), request you, in conjunction with the General Counsel and the Judge Advocate General, conduct a thorough examination of the NAAA's relationship with the Naval Academy. The review should specifically identify all involvement by the NAAA in the Naval Academy's operations and management and ensure that the relationship complies with applicable ethics, contract, and fiscal laws, as well as any other applicable statutory and regulatory guidelines. Request a report back to this office by 3 September 2010.

  
Ray Mabius

cc:  
UNSECNAV  
Superintendent, USNA  
CNIC  
NAVIG



THE SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

March 14, 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)

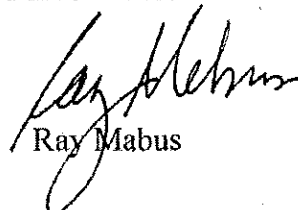
SUBJECT: Request for Delegation of Contracts and Cooperative Agreements Authority

Reference: (a) USNA ltr of 12 Sep 13

I hereby delegate the authority to enter into sole source procurement contracts and cooperative agreements with the Naval Academy Athletic Association (NAAA) under the authority of 10 U.S.C. § 6981 to the Assistant Secretary of the Navy for Research, Development and Acquisition (ASN (RD&A)), with the power of re-delegation subject to all requirements of Department of Defense (DoD) Directive 3210.6-R (DoD Grant and Agreement Regulations).

DoD Directive 3210.6-R provides that the head of a DoD Component may delegate to the Heads of Contracting Activities within that Component, the authority to make awards of cooperative agreements, to administer awards, and to appoint cooperative agreements officers. Per reference (a), the Naval Academy has asked Commander, Naval Supply Systems Command (NAVSUP) for the authority to enter into cooperative agreements under 10 U.S.C. § 6981. NAVSUP is the contracting activity on a procurement contract with NAAA for similar items which expires at the end of Fiscal Year 2014.

ASN (RD&A) shall ensure that good order and discipline is maintained throughout the entire procurement process in the business transactions between NAAA and the Naval Academy as it relates to the purpose of supporting the athletic and physical fitness programs of the Naval Academy. In addition, ASN (RD&A) shall ensure that all procurement contracts and cooperative agreements between NAAA and the Naval Academy are conducted in such a manner that reflects favorably on the Department of the Navy, its employees, and members of the Armed Forces.

  
Ray Mabus



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(RESEARCH, DEVELOPMENT AND ACQUISITION)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

MAY 5 2014

MEMORANDUM FOR COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND

SUBJECT: Request for Delegation of Contracts and Cooperative Agreements  
Authority

Reference: (a) USNA ltr of 12 Sep 13  
(b) SECNAV ltr of 14 Mar 14

I hereby delegate the authority to enter into sole source procurement contracts and cooperative agreements with the Naval Academy Athletic Association (NAAA) under the authority of 10 U.S.C. § 6981 to the Commander, Naval Supply Systems Command (NAVSUP) with the power of re-delegation, subject to all requirements of Department of Defense (DoD) Directive 3210.6-R (DoD Grant and Agreement Regulations).

DoD Directive 3210.6-R provides that the head of a DoD Component may delegate to Heads of Contracting Activities (HCAs) within that Component, the authority to make awards of cooperative agreements, to administer awards, and to appoint cooperative agreements officers. Per the Naval Academy letter 4200 28-357 to NAVSUP dated September 12, 2013, the Naval Academy has asked NAVSUP for the authority to enter into cooperative agreements under 10 U.S.C. § 6981. NAVSUP is the contracting activity on a procurement contract with NAAA for similar items which expire at the end of Fiscal Year 2014.

NAVSUP shall ensure that good order and discipline is maintained throughout the entire procurement process in the business transactions between NAAA and the Naval Academy as it relates to the purpose of supporting the athletic and physical fitness programs of the Naval Academy. In addition, NAVSUP shall ensure that all procurement contracts and cooperative agreements between NAAA and the Naval Academy are conducted in such a manner that reflects favorably on the Department of the Navy, its employees, and members of the Armed Forces.

A handwritten signature in black ink, appearing to read "SJS", is located above the name Sean J. Stackley.

Sean J. Stackley

July 15, 2015

(b) (5)

1. The Navy sought to supplement Title 10 in 2013 as a means of *preserving* the historic relationship between the Navy and NAAA, a non-federal entity.

a. As directed by the Director, Navy Staff in 2010, the "Penniman Group," a working group headed by RDML R. S. Penniman, USN, conducted an extensive review of the relationship between the Naval Academy and the NAAA.

- i. The Penniman Group was advised by a number of Navy lawyers, including Capt. Matthew Dolan, who also represented the Academy's interests.
- ii. On 23 August 2010, the Penniman Group produced a report, findings, and recommendations to the Director, Navy Staff (the "Penniman Report").
- iii. The Penniman Report comprises more than 40 single-spaced pages and summarizes all aspects of the NAAA and its relationship with the Academy.

b. The Penniman Report does not recommend that

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c. On 2 September 2010, the CNO, Admiral G. Roughead, forwarded the Penniman Report to SECNAV and commented in support of its findings as follows:

i.

(b) (5)

ii.

d. On 9 September 2010, the CNO forwarded the Penniman Report to the Superintendent with a direction that the Academy implement the recommendations of the Penniman Report.

2. During the period September 2010 to January 2013, the Naval Academy took a number of steps to implement the recommendations of the Penniman Report, including, revising the NAAA's constitution to confirm and strengthen the oversight powers of the Superintendent and the Board of Control. Consequently, at present, the internal and external controls acting upon the NAAA include:
- a. An updated Constitution
  - b. An expanded Board of Control incorporating outside expertise
  - c. The Commandant's chairmanship of the Board of Control
  - d. The Superintendent's veto power over all contemplated NAAA actions
  - e. Compliance with GAAP
  - f. Regular outside audits by independent firm in accordance with FASB standards
  - g. NAAA president is a member of the Superintendent's senior leadership team
  - h. Annual registration with State of Maryland for purposes of charity and fundraising compliance
  - i. Compliance with NCAA and Patriot League operating rules
  - j. Conduct of operations subject to IRS rules for tax-exempt organizations
3. In January 2013, Title 10 was amended to expressly empower the Navy to continue its relationship with the NAAA. *See*, 10 U.S.C. § 6981.

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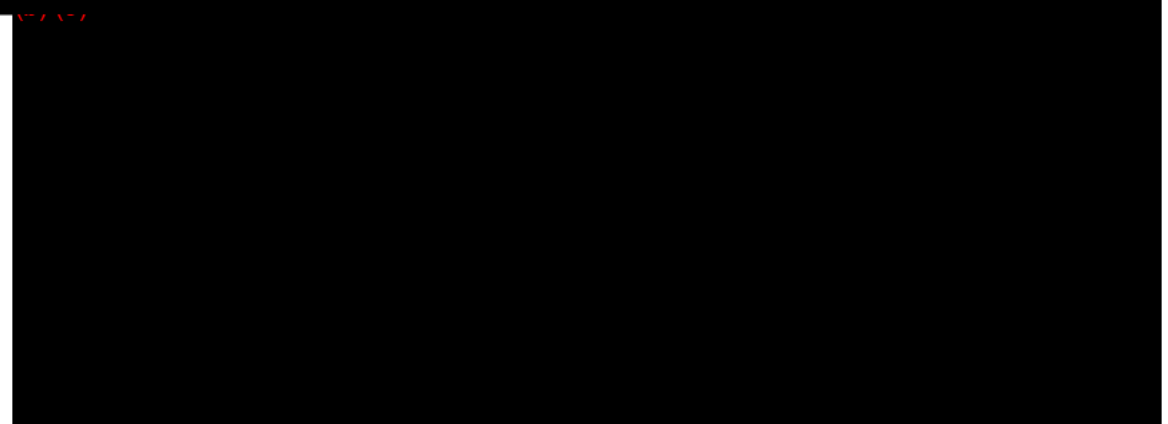
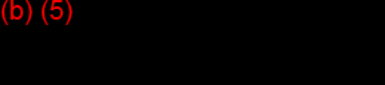
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(b) (5)



6. (b) (5)



# **ENCLOSURE 1**

### Cooperative Agreement References:

- Title 10 United States Code (U.S.C.) 6981 – 1
- Title 10 U.S.C. 6981 – 2
- Title 10 U.S.C. 6981 – 2
- Title 10 U.S.C. 6981 – 3
- DoDGARs 32.20 – 4
- 2CFR 200.302 – 4
- 10 U.S.C. 6981 – 5
- 32 CFR 21-32 – 5
- 2 CFR 200 – 5
- Title 10 U.S.C. 6981 – 9
- DoDGARs 32.23 – 9
- 2 CFR 200.306 – 9
- Title 10 U.S.C. 6981 – 12
- 2 CFR 200.302 – 27
- DoDGARs Patr 32.21 – 27
- 2 CFR 200.306 – 27
- DoDGARs Part 32.27 – 27
- 2 CFR 200.306 – 27
- DoDGARs Part 32.23 – 27
- 5 U.S.C 552a – 28
- 2 CFR 200.501 – 28
- 2 CFR 200.512 – 28
- DoDGARs 32.23 – 31
- 2 CFR 200.306 – 31
- DoDGARs 32.23 – 31
- 2 CFR 200.306 – 31
- 2 CFR 200.343 – 33
- 2 CFR 200.344 – 33
- 2 CFR 200.342 – 33
- DoDGARs 32.62 – 33
- 48 CFR 27.401 – 36
- 10 U.S.C 6981 – 37
- 10 U.S.C. 6981 – 38
- 10 U.S.C. 6981 – 38
- 10 U.S.C. 6981 – 39
- 2 CFR 200 – 40
- DoDGARs 3210.6 – 40
- 2 CFR 200 – 40

- DoDGARs 32.32 – 40
- DoDGARs 32.33 – 40
- U.S.C. 3727 – 48
- 44 U.S.C. 15 – 48
- 32 CFR Part 26 – 49
- 41 USC 701 – 49
- 42 U.S.C. 2000D – 49
- 42 U.S.C. 6101 – 49
- 20 U.S.C. 1681 – 49
- 49 U.S.C. 22 – 49

- In total: 48 references, some multiples on each page.



DEPARTMENT OF THE NAVY  
OFFICE OF THE SUPERINTENDENT  
UNITED STATES NAVAL ACADEMY  
121 BLAKE ROAD  
ANNAPOLIS MARYLAND 21402-1300

7000  
28-519  
DEC 17 2010

From: Superintendent, United States Naval Academy  
To: Vice Chief of Naval Operations

Subj: NAAA – USNA WORKING GROUP UPDATE

Ref: (a) CNO memo 7000 Ser N00/100105 of 9 Sep 10  
(b) Working Group Report of 23 Aug 10.

1. Reference (a) tasked the Naval Academy to develop a plan and implement recommendations from the Naval Academy Athletic Association (NAAA) – United States Naval Academy (USNA) Working Group that reviewed the fiscal, legal, and ethical authorities in place to support the continued relationship between the NAAA and USNA.

2. USNA and NAAA representatives have met regularly over the past three months to outline a new operating agreement, draft a Title 10 provision, and make improvements to the Board of Control (BOC). (b) (5)

(b) (5)

3. The following is a more detailed update on the three major recommendations from the report:

a. Operating Agreement: The existing operating agreement was last updated in 1999. The operating agreement does not reflect many of the current activities and the 2006 shift of some of the Physical Mission responsibilities from the Naval Academy to the NAAA. The operating agreement in draft will capture the multitude of responsibilities in employment, facilities, and travel that the Naval Academy and NAAA perform to execute the athletic program mission. Additionally, it will address the marketing, sponsorship and licensing arrangements NAAA undertakes for the benefit of the Academy.

b. Draft Title 10 provision: In 2009, the Air Force Academy received Title 10 authority to operate the USAF Academy intercollegiate athletic program in a manner similar to the Naval Academy/NAAA model. However, the Air Force legislation as written does not directly align with the current Naval Academy and NAAA model. Congress had asked that we provide our recommendations on how the Navy would adapt the Air Force legislation to meet our needs. Through the development of the updated operating agreement, we have identified key legislative provisions required, and expect to complete our proposal by the end of January.

c. Board of Control (BOC) Improvements: The BOC and the Superintendent ensure NAAA's activities are in alignment with the Academy's mission and goals, are in compliance with NCAA regulations, and ensure the relationship between the two organizations falls within applicable ethics, contract and fiscal laws and regulations. Based on recommendations from reference (b), the

NAAA sought NAAA membership approval to modify their constitution to permit for the expanded Board of Control. That vote concludes today, 17 December, and (b) (5) We will now work to ensure we appoint the appropriate personnel to the board.

4. I intend to forward these products for approval by 31 January 2011.



M. H. MILLER



DEPARTMENT OF THE NAVY  
UNITED STATES NAVAL ACADEMY  
121 BLAKE ROAD  
ANNAPOLIS MARYLAND 21402-1300

4200  
28-357  
SEP 12 2013

From: Superintendent, U.S. Naval Academy  
To: Commander, Naval Supply Systems Command

Subj: REQUEST FOR ASSISTANCE IN SUPPORT OF THE COOPERATIVE  
AGREEMENT BETWEEN UNITED STATES NAVAL ACADEMY (USNA)  
AND THE NAVAL ACADEMY ATHLETIC ASSOCIATION (NAAA)

Ref: (a) 10 USC, Section 6981

1. Reference (a) clarifies in statute the long-standing relationship between USNA and NAAA. Specifically, it grants the Secretary of the Navy authority to enter into sole source contracts and cooperative agreements with the NAAA for the purpose of supporting the USNA athletic and physical mission programs.

2. The NAAA is a nonprofit non-federal entity whose sole purpose is to promote and execute the Naval Academy's athletic and physical mission programs. A cooperative agreement between USNA and NAAA would control the relationship by delineating the areas in which the two entities coexist, integrate, and cooperate to support the athletic and physical mission programs at USNA.

3. (b) (5)

(b) (5)

4. The current contract between USNA and NAAA will terminate at the end of FY14. Request assistance in expediting the approval

process to ensure a cooperative agreement is in place no later than May 2014.

5. For any questions, please contact my Chief of Staff, Captain Steve Vahsen, at (b) (6) or e-mail at (b) (6)@usna.edu.

  
M. H. MILLER